

WATER/WASTEWATER OPERATIONS AND MAINTENANCE FUND

Public Works Department

BUDGET OVERVIEW

	2001-2002 Actual	2003-2004 Budget	2003-2004 Estimate	2005-2006 Budget
Total Expenditures	\$33,413,620	\$39,974,116	\$40,845,032	\$42,448,368
Ending Fund Balance	0	1,247,043	0	2,461,003
Total Budget	\$33,413,620	\$41,221,159	\$40,845,032	\$44,909,371
Total FTEs	36.88	37.13	37.13	38.78

PROGRAM OVERVIEW

The mission of the Water/Wastewater Utility is to provide water and sewer services to customers inside and outside the City. These services are provided with a commitment to public safety, efficient use of public resources, responsiveness to public concerns, and ensuring the orderly growth of services to the City. Programs under this fund are administered by four functional groups:

- Administration and Engineering directs all departmental operations of the divisions within the Utility, reviews rates and fees to maintain fund balances, prepares the biennial Water/Wastewater Capital Investment Program (CIP), manages the design and construction of the utility's CIP, contributes to the City's Geographic Information System (GIS) and CIP, and serves as advisor to the Mayor and Council on utility issues.
- Development Services performs water/wastewater plan review for all new development and provides construction inspection for all private development utility improvements.
- Natural Resources promotes protection of the groundwater and conservation of the drinking water resource. It tracks potential groundwater contamination sources, monitors levels and flow rates, evaluates protection measures and supplies educational information to help preserve the resource. The division also coordinates the creation and distribution of the annual Consumer Confidence Report, which is distributed to all Redmond water customers.
- Operations maintains the City's water and wastewater systems. Responsibilities include maintaining the water supply, water quality, and distribution and collection systems. Redmond's water infrastructure is comprised of 5 City-owned wells, 7 storage reservoirs, 67 pressure-reducing stations, and 351 miles of mainline pipe. The wastewater system includes 16 lift stations and 200 miles of pipe.

BUDGET OVERVIEW

In accordance with Council policy, the Water/Sewer Utility conducted a rate study that coincided with the development of the 2005-06 budget. The purpose of the study was to determine whether rates needed to be revised based on various factors including consumption, purchased water costs from the Cascade Water Alliance (CWA), Metro wastewater treatment costs, and the cost of maintaining and operating the water and sewer systems. (In 2004, the City of Redmond began purchasing its water through the Cascade Water Alliance, which offers to its members a more stable long-term source of water for its customers and

more predictability in the cost for this resource.) A rate consultant was retained to evaluate the needs for the next biennium and to ascertain the revenue requirements to meet those demands. The rate study was completed in August 2004 and recommended a 2% increase in water rates and the pass-through of METRO wastewater treatment rates which are expected to increase from \$23.40 in 2004 to \$25.60 in 2005-2006, or 9.4%. This results in a \$2.72 increase in monthly residential rates for customers within Redmond city limits. Of the \$2.72 increase, \$2.20 is due to the Metro pass-through, with the remaining \$0.52 resulting from increased cost of operating the City's Water/Sewer Utility. After consideration of the rate study recommendations in August 2004, the City Council approved the 2% increase in water rates and the pass-through of the METRO wastewater treatment rates.

Although Water/Sewer rates are increasing, City of Redmond ratepayers continue to enjoy one of the lowest water and sewer rates in the region. According to the Association of Washington Cities, Redmond ranks near the bottom of average residential water and sewer rates. The following table summarizes average residential water and sewer rates between the City and surrounding jurisdictions.

Comparison of Average Monthly Residential Water & Sewer Rates for 2005

Jurisdiction	Water	Sewer	Total
City of Seattle	\$32.20	\$49.35	\$81.55
City of Issaquah	\$42.31	\$39.60	\$81.91
City of Woodinville	\$36.93	\$43.05	\$79.98
City of Bothell	\$33.92	\$44.87	\$78.79
City of Kirkland	\$33.31	\$43.60	\$76.91
City of Bellevue	\$32.61	\$38.88	\$71.49
City of Renton	\$29.53	\$39.03	\$68.56
Northshore Utility District	\$32.03	\$33.25	\$65.28 [1]
City of Redmond (Approved)	\$26.82	\$34.79	\$61.61
City of Redmond (Current)	\$26.30	\$32.59	\$58.89

Note: 2005 monthly billing figures per staff survey of listed cities unless otherwise noted. Water usage based upon 10 ccf per month and sewer usage based on 7.5 ccf per month (winter). Includes Metro wastewater treatment charge of \$25.60.

[1] 2004 Approved rates.

REVENUES

	2001-2002	2003-2004	2003-2004	2005-2006
	Actual	Budget	Estimate	Budget
Beginning Fund Balance	\$2,220,872	\$1,941,216	\$1,689,630	\$2,589,582
Water Sales	14,415,448	16,691,231	18,192,324	18,884,689
Sewer Sales	4,494,514	5,179,476	5,078,745	5,291,937
Metro Sales ¹	12,969,582	13,726,710	14,029,140	15,635,376
RCFC Revenue ²	0	551,250	551,250	1,500,000
Investment Interest	460,480	60,000	178,182	111,065
Transfer from CIP	0	2,283,000	2,283,000	0
Miscellaneous Revenues	879,741	788,276	1,432,343	896,722
TOTAL REVENUES	\$35,440,637	\$41,221,159	\$43,434,614	\$44,909,371

EXPENDITURES

	2001-2002	2003-2004	2003-2004	2005-2006
	Actual	Budget	Estimate	Budget
Salary and Benefits	\$4,668,969	\$4,846,966	\$5,621,705	\$6,484,336
Supplies:				
Water Purchases	4,723,392	6,365,774	6,100,491	6,104,540
RCFC Pass-thru to CWA ²	0	551,250	551,250	1,500,000
Other Supplies	614,846	837,543	783,010	999,978
Professional/Legal	1,068,788	1,883,314	1,395,013	2,157,299
Intergovernmental				
Depreciation Transfers to CIP	3,531,419	3,787,639	4,256,186	4,685,755
Metro Wastewater Treatment	13,258,918	13,726,710	14,029,140	15,635,376
Excise Taxes/Other	583,829	832,302	851,952	1,012,258
Capital Equipment	132,101	132,000	160,948	216,679
Debt Service	1,475,774	3,321,329	3,272,790	301,153
Interfund Transfers:				
Information Technology	198,937	333,760	467,240	634,879
General Fund	2,622,784	2,788,047	2,805,145	2,404,288
UPD Water/Wastewater	(230,832)	(367,243)	(425,996)	(412,725)
Stormwater	0	0	0	791
Fleet Maintenance	660,299	771,657	805,672	522,191
Insurance	104,396	163,068	170,486	201,570
Ending Fund Balance	0	1,247,043	0	2,461,003
TOTAL EXPENDITURES	\$33,413,620	\$41,221,159	\$40,845,032	\$44,909,371
TOTAL FTEs	36.88	37.13	37.13	38.78

1. Fees assessed by King County for wastewater treatment are collected by the City and passed through to King County.
2. The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the Water/Sewer Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the Water/Sewer operating fund, reflecting a change in City accounting practices. As a result, \$0.5M and \$1.5M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the Water/Sewer operating fund. The figures in the table above reflect this change.

SUMMARY OF BUDGET AND PROGRAM CHANGES

	Budget	FTEs
2003-2004 Operating Budget	\$41,221,159	37.13
Adjustments to the base budget:		
Increase for METRO wastewater treatment costs	\$1,908,666	
Increase in operating reserves	1,229,409	
Reflects annual depreciation expenses which are transferred to CIP for replacement projects	898,116	
Salary and Benefit Adjustments	714,725	
Increase in purchased water costs reflecting regional capital facility charges and water costs due to the Cascade Water Alliance	687,516	
Re-distributing staffing between operations and capital based on anticipated work	598,522	
Increase in Information Technology charges	285,671	
Other Adjustments	117,700	
Increase in general property and liability insurance from the Risk Management Fund	38,502	
Fleet adjustments	(268,226)	
Decrease in General Fund overhead charges based on completion of 2003 Overhead study	(382,968)	
Eliminate one-time funding to retire all outstanding Revenue Bond Debt Service	(3,020,176)	
	<u>\$2,807,457</u>	<u>0.00</u>
Program Increases:		
Public Works (PW) Managers charged proportionately to Utilities	\$220,698	0.81
Wellhead Protection program implementation & administration	171,441	0.25
Water System Vulnerability Assessment maintenance	117,000	
Re-organization of administrative staff	57,496	0.50
Water/Sewer Modeling and GIS Applications maintenance	31,000	
Programming to automate PW permit tracking on Sierra System	15,000	
Fats, Oils, and Grease Public Education materials	8,000	
Replace Plotter for Development Services	5,500	
Correction of FTE count due to re-alignment of staff duties	0	0.09
	<u>\$626,135</u>	<u>1.65</u>
New Programs:		
Citywide Records Management System	\$97,500	
Redmond's share of Bear Creek Groundwater Committee expenses	82,000	
Purchase a Standard Sized Pickup	47,640	
Purchase Laptop computers for field staff	9,540	
Purchase a Traffic Warning Panel for field maintenance	7,500	
Fund the Natural Yard Care Program previously administered by KC	5,940	
Replace/upgrade Davit Arm Receivers in older lift stations	4,500	
	<u>\$254,620</u>	<u>0.00</u>
2005-2006 Operating Budget	\$44,909,371	38.78

DESCRIPTION OF PROGRAM INCREASES (REDUCTIONS)Public Works Managers Proportionately to Utilities: \$220,698, 0.81 FTE

This request distributes the time spent on utility activities by the Public Works Director, Assistant Director, Construction Manager and Construction Supervisor that is not captured by the overhead allocation to the utility funds. Previously, the time spent by the managers on utility activities was captured by the overhead charge to the utilities. The practice was changed to require Public Works staff to directly charge their time to functions or activities related to the utilities. This increase formalizes the current practice by appropriately charging the managers' salary and benefit costs related to time spent on utility issues to the utilities.

Wellhead Protection: \$171,441, 0.25 FTE

In October 2003, the City Council approved the Wellhead Protection Ordinance which established the regulatory framework to safeguard the City's underground aquifer. This represents the Water/Sewer's share of the cost for the program. It includes funding for a .25 FTE which was previously budgeted in Stormwater Management, additional support to administer hazardous material questionnaire mailings and collection, and laboratory expenses.

Water System Vulnerability Assessment Maintenance: \$117,000.

The City completed and submitted a vulnerability assessment of its water system to EPA to comply with the new requirements for community water systems under the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The assessment identified some security defects, which need to be corrected to better protect the City's water system. These defects, which are capital related will be addressed within the Utility's Capital Improvement program. This request is for the monitoring and maintenance portion of the current and upgraded security systems. The total cost of this request is \$156,000 and is shared with the Urban Planned Development (UPD) Water/Sewer Fund.

Providing a better security system for the City's water system facilities will help protect the citizens of Redmond by ensuring a safe, high quality water system.

Re-organization of Administrative Staff: \$57,496, 0.50 FTE

The Utility's FTEs are increased by 0.50 to reflect a department-wide re-organization of administrative staff. The staffing for the Development Services Division, Stormwater Utility is being reduced through this change and the Development Services Division within the Water/Sewer Fund is being increased.

Water/Sewer Modeling and GIS Applications: \$31,000

Reflects increases in the cost of maintaining and supporting the Water Modeling, Graphical Information System (GIS), and other public works related applications used by the Utility.

Sierra Programming Services: \$15,000

Provides for consultant services to automate the tracking of Public Works permits as part of the City's permit tracking system. Currently, Public Works permits are being tracked manually on Excel spreadsheets and this process does not provide the necessary information and management reports needed for reliable permit processing.

Public Education Materials/FOG program: \$8,000

The public education materials for the Fats, Oil and Grease (FOG) program will be used to educate the community on the proper disposal of fats, oil and grease into the sanitary sewer system. The effort is expected to result in an overall decrease in the cost of the program caused by the improper discharge of these products. The FOG program is a necessary component of the EPA Capacity, Management, Operation and Maintenance Program scheduled for adoption in 2004.

Plotter for Development Services: \$5,500

This request is for the replacement of an existing plotter that is used by the Development Services Division of the Water/Sewer Utility. The existing plotter is past its useful life. The plotter is used to print maps, drawings and design schematics. Its functions are important to the operation of the Development Services group. Additionally, the new plotter will be used as the main plotter in the Permit Center by the Development Services group in the new City Hall. The full cost of this plotter is \$11,000 and is shared with the Stormwater Management Utility.

Correction of FTE count due to re-alignment of staff duties: No fiscal impact, 0.09FTE

The Water/Sewer Utility FTE's have increased by 0.09 FTE due to the re-alignment of duties and responsibilities between the Water/Wastewater Utility and the UPD Utility. This is a correction of the FTE count and is not expected to have a fiscal impact on the Utility.

Citywide Records Management Program: \$97,500 (New)

This represents the Water/Sewer Utility portion of the funding for a citywide Records Management Program. The impending move to the new City Hall and the associated need to reduce the file space has reinforced the need for an integrated document and records management program to manage City records. This project continues the work of the Document Imaging System adopted by the City Clerk's Office and includes the ongoing costs associated with implementation of the citywide electronic document and records management system. The total cost of this program will be approximately \$1.3 million.

Redmond Bear Creek Groundwater Committee: \$82,000. (New)

The Redmond Bear Creek Groundwater Protection Committee was created in December 2002 by King County. The purpose of the committee is to develop implementation strategies for the Redmond-Bear Creek Valley Ground Water Management Plan. King County initially funded the Committee through 2004 and has said that they will only be able to fund a reasonable proportionate share thereafter. The cost of the Committee and its activities is estimated at \$196,277 per year. Redmond's share would be \$41,000 per year.

Standard Size Extended Cab Pickup Truck: \$47,640 (New)

The purchase of a standard size, extended cab pickup truck will improve normal workflow while providing a vehicle for light-duty tasks and keeping existing service vehicles in the field completing maintenance work. The existing vehicles are service-oriented and not cost effective for use in tasks more suited for fuel efficient, smaller vehicles. The new vehicle would be used by staff for on-site inspections associated with the Fats, Oil and Grease (FOG) program, and to conduct inspections and research activities.

Laptop Computers: \$9,540 (New)

Purchase of laptop computers for field data gathering, research and recordkeeping in the Water Utility. The acquisition is designed to improve access to asset data, pending work orders and history, record costs and results of work, and allow for the field checking of City ordinances and verification of standard specifications and details.

Trailer-Mounted Type B Advance Warning Arrow Panel: \$7,500 (New)

Purchase of a trailer-mounted Type B Advance Warning Arrow Panel designed to provide advanced warning and directional information to aid motorists through and around maintenance and construction zones. Increased traffic volume in the City has made the addition of this safety equipment necessary for the protection of staff while they are conducting repair and maintenance activities in the right-of-way. The panel can be used day and night to direct and channel traffic through hazardous construction and maintenance sites.

Natural Yard Care Program: \$5,940 (New)

The Natural Yard Care Neighborhood Program is an outreach program initiative that educates residents on various aspects of nature-based lawn and garden care practices. The program enlists residents to come together for three evenings to learn natural methods of gardening that meet their needs and have a positive effect on the environment. Due to budget constraints, King County has stated that they will no longer continue as a partner in funding the program. Additionally, the switch to the Cascade Water Alliance (CWA) from Seattle Public Utilities has also left a degree of uncertainty in terms of funding for this program. At this time, it is uncertain if CWA will pick up all of or part of the cost as Seattle Public Utilities has done in the past. The full cost of this program is \$18,000 and is shared with the Solid Waste Recycling and Stormwater Management Funds.

The Natural Yard Care Program supports both City and Public Works goals to protect and enhance the environment and it encourages the community to embrace environmental ethics.

Davit Arm Receivers Installations at Older Lift Stations: \$4,500 (New)

The addition of the fall arrest receivers in older sewer lift stations will upgrade these stations to the same standards as the newer lift stations, water wells and water towers. The purpose of the receivers is to arrest the fall of an individual should one occur while the individual is inside the lift station. The Davit Arm provides the safest and most efficient fall arrest alternative found to date. The installation will provide for increased worker safety and compliance with Federal and State safety regulations.

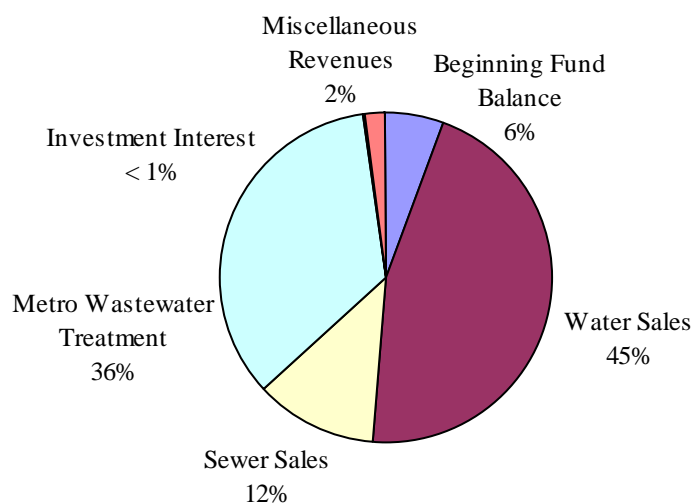
2003-2004 ACCOMPLISHMENTS

- Redmond's Water System Plan was adopted in July 2003. This plan describes the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Transitioned from purchasing water from Seattle, Bellevue, and Kirkland to purchasing water from the Cascade Water Alliance.
- Participated as a pilot project for the King County Inflow/Infiltration Program. Redmond will continue to work with King County to identify cost-effective solutions for Inflow/Infiltration.
- Prepared and distributed 28,000 Consumer Confidence Reports on Redmond's water quality within EPA and state reporting deadlines and guidelines for each of the years 2003 and 2004.
- Provided water conservation and environmental education to more than 2,100 students from elementary to junior high school and their teachers through classroom curriculum and presentations, watershed festivals, workshops, and youth summer camps financed both directly and cooperatively with other utility partners.
- Completed more than twelve classes and special events (including Derby Days, rain barrel sales, and the Natural Yard Care Program) featuring water efficiency, natural gardening, and preservation of the natural resource and drinking water supply.
- Developed a very detailed and extensive public outreach and involvement campaign to promote the Wellhead Protection Ordinance. The campaign included numerous flyers, brochures, news articles (many coordinated with the RICE and Chamber of Commerce Newsletters), and the development of an interactive groundwater informational website. All totaled, more than 80 informational, educational, and involvement opportunities were realized.
- Adopted the comprehensive Wellhead Protection Ordinance, Plan, and Program that meets the requirements under the Washington State Departments of Health and Ecology as well as the Growth Management Act provisions for Critical Aquifer Recharge Areas.

- Received regional recognition by the King County Council, King County Department of Natural Resources, Washington State Office of Community Development, Washington Department of Ecology, and Washington Department of Health for the development of a model Wellhead Protection Program, Plan and Ordinance.

2005-2006 WORKPLAN INITIATIVES

- Adopt the Sewer System Plan, which will describe the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Continue active participation in the Cascade Water Alliance to develop regional water supplies, including the acquisition of water rights for Lake Tapps.
- Continue to work with Cascade Water Alliance and other regional utility partners to develop and implement water conservation programs. Work with natural resources partners and other agencies to provide educational and information opportunities and programs designed for Redmond customers.
- Provide research and survey data to develop and implement incentive-based water conservation programs for residential, industrial, commercial, multi-family and irrigation customers.
- Develop and report results of water conservation savings and program evaluations designed to monitor effectiveness.
- Develop and implement a public outreach program and work in conjunction with the Redmond business community as it relates to the FOG (Fats, Oils and Greases) Elimination Program.
- Continue to increase environmental awareness and public involvement in conducting Natural Yard Care Neighborhood Workshops.
- Continue to develop and execute the Wellhead Protection implementation plan for compliance that includes interdepartmental coordination on inspections, groundwater monitoring and modeling, permits, environmental development review, HMIS/HMMP information sharing, database development, data capture, capital improvement/investment projects, public outreach and education, and GIS work.
- Develop a citywide groundwater monitoring and inspection program.
- Update the City's Wellhead Protection Plan with current information and a susceptibility assessment.
- Continue to aggressively execute the Capital Investment Program.

SUMMARY OF DEPARTMENT RESOURCES**2005-2006 Budget \$44,909,371****By Category of Revenue****By Division/Program**